

**2008
Interim Management Report of Fund Performance
and
Interim Financial Statements**

Tradex Bond Fund

June 30, 2008

You may get a copy of the Fund's Simplified Prospectus, Annual Information Form, and quarterly portfolio disclosure at your request, and at no cost, by calling Tradex Management Inc. toll-free at **1-800-567-3863**, e-mailing us at **info@tradex.ca** or by writing or visiting us at the address shown below.

These documents and other information about the Fund are also available through our website at **www.tradex.ca** or through the SEDAR website at **www.sedar.com**.

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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

for the six months ending June 30, 2008

I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

An investment in the Tradex Bond Fund increased in value by 1.5% during the first half of 2008 while it has increased by 6.0% over the past year.

The turbulence in global bond and money markets, which began in mid-2007, continued into 2008 as the problems relating to the valuation of structured investment products intensified and as write-downs in the U.S. sub-prime mortgage market increased. At the same time, global economic activity was weakening and there were fears that the U.S. economy would move into a recession. In response to these developments, both the Bank of Canada and the U.S. Federal Reserve took aggressive action to ease monetary conditions during the first four months of 2008. The Bank of Canada lowered its policy interest rate by 125 basis points to 3.0% while the U.S. Federal Reserve lowered its policy rate by 225 basis points to 2.0%. In addition, both central banks implemented special measures to add liquidity into the financial system. In this environment, yields on Government of Canada bonds moved sharply lower in the early portion of the period, with yields on 3-year and longer Government of Canada bonds reaching 50-60 year historical lows in mid-March.

During the second half of the period, however, the focus shifted somewhat to the emerging risk of increased inflation due to the very rapid rise in energy and other commodity prices, including food. Thus, in June both the Bank of Canada and Federal Reserve left their target overnight policy interest rate unchanged. In response to the growing inflation fears, yields on Government of Canada bonds rebounded sharply during the second quarter. However, given both the degree of monetary easing since the start of the year and the weaker economy, yields remained considerably lower than at year-end as shown in the following table:

| Term to Maturity | Yield Dec. 31, 2007 | Yield Mar. 31, 2008 | Yield June 30, 2008 |
|------------------|---------------------|---------------------|---------------------|
| 2 years | 3.74% | 2.62% | 3.24% |
| 3 years | 3.82% | 2.66% | 3.37% |
| 5 years | 3.87% | 2.91% | 3.45% |
| 10 years | 3.99% | 3.43% | 3.74% |
| 30 years | 4.10% | 3.94% | 4.08% |

Source: Bank of Canada. Mid-market yields on benchmark issues.

The overall trend in the portfolio allocation during the first half of 2008 is shown in the following table:

| | Dec. 31 2007 | Mar. 31 2008 | June 30 2008 |
|----------------------------------|--------------|--------------|--------------|
| Government of Canada | 32% | 31% | 28% |
| Provincial/Municipal Governments | 29% | 35% | 32% |
| Corporations | 39% | 34% | 40% |
| Total | 100% | 100% | 100% |

During the second quarter the proportion of the Fund's assets held in Government of Canada bonds was decreased to the lower end of the Fund's target range as credit spreads, which have been very wide due to the uncertainty in financial markets, began to tighten thus making corporate bonds relatively more attractive. The corporate portion of portfolio continued to include a Canadian dollar denominated bond issued in Canada and guaranteed by the Government of Germany (a "maple bond" with a triple A rating) that represents approximately 9.5% of the total portfolio value.

At the end of the first half of 2008, the portfolio consisted of 63 individual bond issues, including 39 corporate issues. The relatively large number of issues in the corporate portion of the portfolio further controls risk. The modified duration of the portfolio (a measure of portfolio term to maturity and sensitivity to interest rate changes) at the end of the period was 6.4 years, which is equal to the duration of the DEX Universe Index. The weighted average term to maturity of the portfolio was 8.8 years.

Quarterly distributions of 9.16 cents per unit and 8.00 cents per unit were made at the end of March and June, respectively. As at June 30, 2008, the Net Asset Value of the Fund stood at \$9.6 million compared to \$9.9 million at the end of 2007.

Management Fees

As the Manager, Tradex Management Inc. is responsible for directing the business, operations and affairs of the Fund. It performs this duty for an annual fee of 0.6% of the Fund's net asset value, calculated and accruing daily. This amounted to \$31,140 in the first half of 2008 (including GST) and represents slightly more than 40% of the total expenses paid by the Fund. Many of the functions involved in operating the Fund are contracted out to leading professional firms in the mutual fund industry in Canada. Therefore, one of the key duties of the Manager is to negotiate and manage these contracts. Tradex Management Inc. is also the principal distributor of the Fund and, as such, is responsible for most of the communications with the Fund's unitholders and potential unitholders. Tradex Management Inc. receives no additional fees or commissions for being the Fund's principal distributor and pays a trailer fee of 0.3% from its management fee to other mutual fund dealers who distribute the Fund.

Since Tradex Management Inc. operates on an "at cost" basis for the benefit of its investors, when financial conditions permit, it voluntarily rebates and/or waives a portion of the management fees paid to it by the Fund. These rebates/waivers reduce the expenses for the Fund, which in turn reduce its management expense ratio. In the second half of 2007, \$49,820 in expenses were reduced for the Fund through such transactions. It is anticipated that a rebate will be made in the second half of 2008, although it is not possible to forecast the amount at this time.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

Other Expenses

The other expenses incurred by the Fund in the first six months of 2008 amounted to \$45,251 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to TD Asset Management Inc.), administrative fees paid for fund accounting, the registrar function and other related activities (paid to Citigroup Fund Services Canada Inc., FundSERV Inc., The Canada Trust Company and various others suppliers), audit fees (payable to PricewaterhouseCoopers LLP), custodian fees (paid to CIBC Mellon Trust Company) and registration fees and expenses paid to the 13 securities regulatory authorities in Canada. A listing of the various expenses paid by the Fund appears in the Statement of Operations.

II. FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five and one-half years.

The Fund's Net Assets per Unit (1)

For the six month period ending June 30, 2008 and the five annual periods ending December 31, 2007, 2006, 2005, 2004, 2003.

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Net asset per unit, beginning of period | \$ 9.99 | \$ 10.15 | \$ 10.31 | \$ 10.22 | \$ 10.10 | \$ 10.07 |
| Increase (decrease) from operations: | | | | | | |
| Total revenue | \$ 0.23 | \$ 0.52 | \$ 0.55 | \$ 0.55 | \$ 0.58 | \$ 0.60 |
| Total expenses | \$ (0.08) | \$ (0.11) | \$ (0.12) | \$ (0.13) | \$ (0.14) | \$ (0.15) |
| Realized gains (losses) for the period | \$ — | \$ (0.14) | \$ (0.04) | \$ 0.17 | \$ 0.06 | \$ 0.06 |
| Unrealized gains (losses) for the period | \$ — | \$ (0.02) | \$ (0.12) | \$ (0.07) | \$ 0.06 | \$ (0.03) |
| Total increase from operations (2) | \$ 0.15 | \$ 0.25 | \$ 0.27 | \$ 0.52 | \$ 0.56 | \$ 0.48 |
| Distributions: | | | | | | |
| From investment income | \$ 0.17 | \$ 0.42 | \$ 0.43 | \$ 0.43 | \$ 0.45 | \$ 0.45 |
| Total Distributions (3) | \$ 0.17 | \$ 0.42 | \$ 0.43 | \$ 0.43 | \$ 0.45 | \$ 0.45 |
| Net asset per unit, end of period | \$ 9.97 | \$ 9.99 | \$ 10.15 | \$ 10.31 | \$ 10.22 | \$ 10.10 |

(1) The information for 2003-2007 is derived from the Fund's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period.

(3) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

| Ratios and Supplemental Data | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|----------|----------|-----------|-----------|-----------|-----------|
| Total net asset value, end of period (000's) | \$ 9,559 | \$ 9,880 | \$ 10,416 | \$ 10,990 | \$ 11,596 | \$ 12,041 |
| Weighted average net asset value (000's) | \$ 9,828 | \$ 9,922 | \$ 10,541 | \$ 11,262 | \$ 11,780 | \$ 12,122 |
| Number of units outstanding, end of period (000's) | 959 | 989 | 1,026 | 1,066 | 1,135 | 1,193 |
| Management expense ratio (1) | 1.56% | 1.07% | 1.22% | 1.28% | 1.42% | 1.53% |
| Management expense ratio before waivers or absorptions (1) | 1.56% | 1.57% | 1.64% | 1.58% | 1.58% | 1.53% |
| Portfolio turnover rate (2) | 29.43% | 84.36% | 42.32% | 109.37% | 245.60% | 313.56% |
| Net asset value per unit, end of period | \$ 9.97 | \$ 9.99 | \$ 10.15 | \$ 10.31 | \$ 10.22 | \$ 10.10 |

(1) Management expense ratio is based on total expenses for the period and is expressed as an annualized percentage of daily average net asset value during the period.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and performance of a fund.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

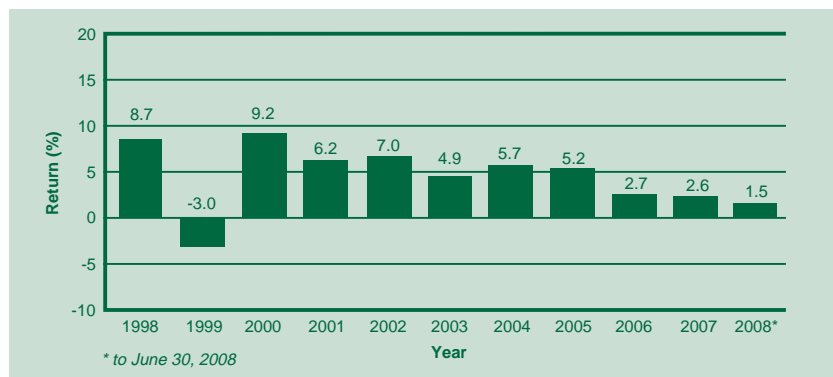
III. PAST PERFORMANCE

General

The Fund's past performance assumes all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of income the Fund earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional units. The performance information does not take into account any sales, redemption or other optional charges that, if applicable, would reduce the returns or performance. Please remember, the Fund's performance in the past does not indicate how it will perform in the future.

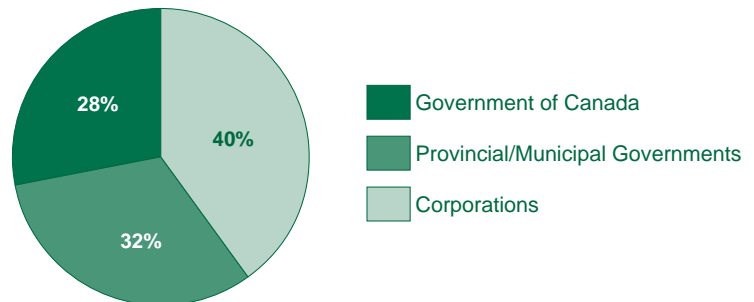
Year-by-year Returns

This bar chart shows the Fund's annual performance for each of the past ten years ending December 31, 2007 plus the performance for the six-month period ending June 30, 2008. The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period and how the performance has varied from period to period.



IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the investment portfolio as at June 30, 2008 broken down by the category of issuer is indicated in the pie chart on the right.



The following investments represent the 25 largest holdings of the Fund as of June 30, 2008 shown as a percentage of the Fund's total investment portfolio. The list is of interest only as of the date indicated, as the percentages may have changed, and some or all of the holdings may have been sold and new positions purchased. A quarterly update is available as discussed on the cover page of this document.

| | | | |
|--|-------|--|--------|
| Farm Credit Canada, 4.55%, April 12, 2021 | 13.0% | Ontario Infrastructure Projects Corporation, 4.70%, June 1, 2037 | 2.3% |
| Kreditanstalt fuer Wiederaufbau, 4.95%, October 14, 2014 * | 9.4% | Province of British Columbia, 5.60%, June 1, 2018 | 2.0% |
| Canada Mortgage and Housing Corporation, 4.35%, February 1, 2017 | 5.3% | Province of Ontario, 4.75%, June 2, 2013 | 1.6% |
| OMERS Realty Corporation, 5.48%, December 31, 2012 | 5.0% | Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012 | 1.4% |
| Alberta Capital Finance Authority, 4.65%, June 15, 2017 | 4.9% | Canada Housing Trust, 3.95%, June 15, 2013 | 1.4% |
| Manulife Financial Corporation, 5.161%, June 26, 2015 | 4.2% | Canada Housing Trust, 4.55%, December 15, 2012 | 1.3% |
| Sun Life Financial Inc., 5.12%, June 26, 2018 | 4.2% | Gaz Metro Limited Partnership, 6.05%, November 10, 2008 | 1.2% |
| Province of British Columbia, 4.70%, December 1, 2017 | 4.2% | Royal Bank of Canada, 5.95%, June 18, 2103 | 1.2% |
| Alberta Capital Finance Authority, 4.35%, June 15, 2016 | 3.7% | Hydro-Quebec, 5.00%, February 15, 2045 | 1.1% |
| Province of Saskatchewan, 5.25%, December 3, 2012 | 3.5% | BMO Capital Trust, Conv., 6.647%, December 31, 2010 | 1.1% |
| Alberta Treasury Branches, 3.85%, June 3, 2013 | 3.2% | Province of British Columbia, 5.40%, June 18, 2035 | 1.0% |
| City of Toronto, 4.95%, June 27, 2018 | 2.6% | Sub-total – largest 25 holdings | 84.0% |
| Canadian Imperial Bank of Commerce, 4.40%, August 26, 2008 | 2.6% | Remaining holdings | 16.0% |
| Farm Credit Canada, 4.60%, June 1, 2021 | 2.6% | Total Investment Portfolio | 100.0% |

*Issue guaranteed by the Government of Germany.



INTERIM FINANCIAL STATEMENTS for the six months ending June 30, 2008

THE AUDITORS OF THE FUND HAVE NOT REVIEWED THESE FINANCIAL STATEMENTS.

Tradex Management Inc., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The next report on the Fund will contain annual audited financial information as at December 31, 2008.

STATEMENTS OF NET ASSETS June 30, 2008 (Unaudited) and December 31, 2007

| | 2008 | 2007 |
|--|------------------|------------------|
| Assets | | |
| Investments, at fair value * | \$ 9,569,754 | \$ 9,812,094 |
| Cash and short-term investments | — | 3,703 |
| Accrued interest | 86,867 | 95,594 |
| | 9,656,621 | 9,911,391 |
| Liabilities | | |
| Bank indebtedness | 178 | — |
| Accounts payable and accrued liabilities | 95,763 | 26,103 |
| Redemptions payable | 1,302 | 5,725 |
| | 97,243 | 31,828 |
| Net assets, representing unitholders' equity | \$ 9,559,378 | \$ 9,879,563 |
| Units issued and outstanding, end of period (Note 6) | 958,909 | 989,018 |
| Net assets per unit (Note 2) | \$ 9.97 | \$ 9.99 |
| | | |
| * Investments at cost | \$ 9,494,456 | \$ 9,738,124 |

The accompanying notes are an integral part of these financial statements.

Approved by the Board
of Directors of
Tradex Management Inc.,
Trustee for Tradex Bond Fund

Andrew Campbell
Director

Karin Zabel
Director

STATEMENTS OF OPERATIONS *(Unaudited)*

| | Six months ending June 30 | |
|---|---------------------------|--------------|
| | 2008 | 2007 |
| Investment Income | | |
| Revenue | | |
| Interest | \$ 228,392 | \$ 271,559 |
| | 228,392 | 271,559 |
| Expenses <i>(Note 5)</i> | | |
| Management fees | 31,140 | 32,244 |
| Investment advisory fees | 12,432 | 13,808 |
| Administration costs | 17,404 | 22,684 |
| Independent Review Committee | — | — |
| Audit fees | 5,968 | 5,917 |
| Custodian fees | 1,989 | 2,218 |
| Registration fees and expenses | 7,458 | 7,228 |
| Expense reductions <i>(Note 5)</i> | — | — |
| | 76,391 | 84,099 |
| Net investment income | 152,001 | 187,460 |
| Realized and unrealized gain (loss) on sale of investments | | |
| Net realized gain (loss) on investments | (5,982) | (98,456) |
| Change in unrealized appreciation (depreciation) on investments | 1,328 | (265,578) |
| Net loss on investments | (4,654) | (364,034) |
| Increase (decrease) in net assets from operations | \$ 147,347 | \$ (176,574) |
| Increase (decrease) per unit in net assets from operations <i>(Note 2)</i> | \$ 0.15 | \$ (0.18) |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS *(Unaudited)*

| | Six months ending June 30 | |
|---|---------------------------|---------------|
| | 2008 | 2007 |
| Net assets, beginning of period | \$ 9,879,563 | \$ 10,415,639 |
| Add (deduct) | | |
| Operations | | |
| Net increase (decrease) in net assets from operations | 147,347 | (176,574) |
| Distributions | | |
| Distributions to unitholders from investment income | (166,460) | (204,848) |
| | (19,113) | (381,422) |
| Units | | |
| Proceeds from issue of units | 153,311 | 246,749 |
| Reinvestment of distributions | 89,431 | 115,247 |
| Consideration paid for redemptions of units | (543,814) | (963,580) |
| | (301,072) | (601,584) |
| Net assets, end of period | \$ 9,559,378 | \$ 9,432,633 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO (Unaudited)

| Bonds | Par value | Average cost | Fair value | % of total fair value |
|---|------------|--------------|------------|-----------------------|
| Federal | | | | |
| Business Development Bank of Canada, 4.35%, February 28, 2022 | \$ 100,000 | \$ 96,760 | \$ 99,333 | |
| Canada Housing Trust, 4.00%, June 15, 2012 | 97,000 | 97,063 | 97,534 | |
| Canada Housing Trust, 3.95%, June 15, 2013 | 130,000 | 129,801 | 130,125 | |
| Canada Housing Trust, 4.10%, December 15, 2008 | 35,000 | 35,019 | 35,171 | |
| Canada Housing Trust, 4.55%, December 15, 2012 | 120,000 | 124,921 | 123,191 | |
| Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012 | 129,000 | 137,733 | 136,721 | |
| Canada Mortgage & Housing Corporation, 4.35%, February 1, 2017 | 507,000 | 496,303 | 512,562 | |
| Farm Credit Canada, 4.55%, April 12, 2021 | 1,237,000 | 1,230,010 | 1,255,160 | |
| Farm Credit Canada, 4.60%, June 1, 2021 | 242,000 | 241,980 | 246,649 | |
| | | 2,589,590 | 2,636,446 | 27.5 |
| Provincial/Municipal | | | | |
| Alberta Capital Finance Authority, 4.35 %, June 15, 2016 | 355,000 | 350,713 | 356,200 | |
| Alberta Capital Finance Authority, 4.65% June 15, 2017 | 462,000 | 461,173 | 471,041 | |
| City of Toronto, 4.95% June 27, 2018 | 250,000 | 249,240 | 251,723 | |
| Hydro-Quebec, 5.00%, February 15, 2045 | 100,000 | 104,342 | 102,657 | |
| Hydro-Quebec, 6.50%, February 15, 2035 | 74,000 | 86,862 | 92,023 | |
| Ontario Infrastructure Projects Corporation, 4.70%, June 1, 2037 | 232,000 | 227,627 | 228,956 | |
| Province of Alberta, 3.85%, June 3, 2013 | 313,000 | 311,372 | 310,280 | |
| Province of British Columbia, 4.70%, December 1, 2017 | 392,000 | 401,406 | 401,181 | |
| Province of British Columbia, 4.70%, June 18, 2037 | 60,000 | 59,383 | 59,961 | |
| Province of British Columbia, 5.40% June 18, 2035 | 90,000 | 97,176 | 99,321 | |
| Province of British Columbia, 5.60%, June 1, 2018 | 180,000 | 198,144 | 196,664 | |
| Province of British Columbia, 5.70%, June 18, 2029 | 24,000 | 27,538 | 27,005 | |
| Province of Ontario, 4.75%, June 2, 2013 | 150,000 | 154,497 | 154,794 | |
| Province of Quebec, 6.25%, June 1, 2032 | 1,000 | 1,053 | 1,193 | |
| Province of Saskatchewan, 5.25%, December 3, 2012 | 320,000 | 338,538 | 336,147 | |
| | | 3,069,064 | 3,089,146 | 32.3 |
| Corporate | | | | |
| Bank of Montreal, 5.10%, April 21, 2021 | 5,000 | 5,000 | 4,853 | |
| Bank of Montreal, 7.00%, January 28, 2010 | 13,000 | 13,982 | 13,515 | |
| Bank of Nova Scotia, 4.515%, November 19, 2008 | 97,000 | 100,065 | 97,379 | |
| Bank of Nova Scotia, 5.00%, September 13, 2010 | 70,000 | 70,014 | 70,667 | |
| BMO Capital Trust, Conv., 6.647%, December 31, 2010 | 100,000 | 109,100 | 102,191 | |
| BMO Capital Trust, Conv., 6.685%, December 31, 2011 | 23,000 | 25,767 | 23,598 | |
| BMO Capital Trust, Conv., 6.903%, December 29, 2049 | 50,000 | 51,925 | 51,237 | |
| Borealis Energy Source, 6.27%, May 3, 2011 | 4,000 | 4,380 | 4,201 | |
| Caisse Central Desjardins, 4.47%, November 10, 2008 | 24,000 | 23,868 | 24,048 | |
| Canada Life Capital Trust, 7.529%, June 30, 2032 | 5,000 | 5,153 | 5,450 | |
| Canadian Imperial Bank of Commerce, 4.25%, June 1, 2014 | 27,000 | 26,944 | 26,955 | |
| Canadian Imperial Bank of Commerce, 4.40%, August 26, 2008 | 251,000 | 249,896 | 251,341 | |
| Canadian Revolving Auto Floorplan Trust, 5.68%, November 15, 2012 | 7,000 | 7,014 | 6,849 | |
| Caterpillar Financial Service Limited, 4.50%, August 7, 2008 | 55,000 | 54,841 | 55,050 | |
| Citigroup Finance Canada Inc., 4.30%, August 5, 2008 | 76,000 | 75,571 | 76,022 | |
| Clarica Life Insurance Company, 6.65%, October 12, 2015 | 13,000 | 14,203 | 13,516 | |
| Gaz Metro Limited Partnership, 6.05%, November 10, 2008 | 112,000 | 113,904 | 112,951 | |
| GE Capital Canada Funding, 5.73%, October 22, 2037 | 44,000 | 44,234 | 41,083 | |
| Glacier Credit Card Trust, 4.444%, November 20, 2008 | 43,000 | 42,772 | 43,047 | |
| Gloucester Credit Card Trust, 4.274%, October 15, 2008 | 41,000 | 40,709 | 41,049 | |
| Greater Toronto Airports Authority, 7.10%, June 4, 2031 | 50,000 | 50,590 | 59,395 | |
| Household Financial Corporation Limited, 4.20%, April 13, 2009 | 12,000 | 11,856 | 11,994 | |
| HSBC Canada Asset Trust, 7.78%, December 31, 2010 | 55,000 | 59,758 | 57,777 | |
| IGM Financial Inc., 7.45%, May 9, 2031 | 10,000 | 10,180 | 11,582 | |
| Kommunalbanken AS, 4.75%, March 17, 2017 | 27,000 | 27,351 | 27,511 | |
| Kreditanstalt fuer Wiederaufbau, 4.95%, October 14, 2014* | 873,000 | 884,959 | 906,741 | |
| Manulife Financial Capital Trust, 6.70%, June 30, 2012 | 28,000 | 28,189 | 29,109 | |
| Manulife Financial Corporation, 5.161%, June 26, 2015 | 400,000 | 400,000 | 401,088 | |
| Merrill Lynch Canada, 4.70%, September 12, 2008 | 22,000 | 21,965 | 21,983 | |
| Omers Realty Corporation, 5.48%, December 31, 2012 | 460,000 | 477,322 | 480,925 | |
| Royal Bank of Canada, 5.95%, June 18, 2014 | 112,000 | 119,664 | 110,991 | |
| Scotia Bank Capital Trust II, Perpetual Bond, 6.282%, December 29, 2049 | 22,000 | 23,883 | 22,301 | |
| Scotia Bank Capital Trust, 6.626%, June 30, 2052 | 41,000 | 41,160 | 42,090 | |
| Sun Life Capital Trust, 6.865%, December 2011 | 92,000 | 98,483 | 96,086 | |

STATEMENT OF INVESTMENT PORTFOLIO *(Unaudited)*

| Bonds | Par value | Average cost | Fair value | % of total fair value |
|--|---------------------|---------------------|--------------|-----------------------|
| Corporate (cont'd) | | | | |
| Sun Life Financial Inc., 5.12%, June 26, 2018 | \$ 400,000 | \$ 399,875 | \$ 400,516 | |
| Teranet Inc., 5.039%, August 16, 2016 | 5,000 | 4,878 | 4,806 | |
| TransCanada PipeLines Limited, 8.29%, February 5, 2026 | 41,000 | 54,245 | 51,946 | |
| Wells Fargo Financial Canada, 4.75%, June 29, 2009 | 30,000 | 29,904 | 30,099 | |
| York University, 6.48%, March 7, 2042 | 10,000 | 12,198 | 12,220 | |
| | | 3,835,802 | 3,844,162 | 40.2 |
| Total bonds | | 9,494,456 | 9,569,754 | 100.0 |
| Total portfolio of investments | \$ 9,494,456 | \$ 9,569,754 | 100.0 | |

*Issue guaranteed by the Government of Germany

NOTES TO FINANCIAL STATEMENTS *June 30, 2008*

1. Background

Tradex Bond Fund ("the Fund") is an unincorporated trust formed under the laws of the Province of Ontario. Tradex Management Inc. is the Manager and the Trustee of Tradex Bond Fund.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Adoption of new accounting policies - Financial Instruments Disclosure and Presentation

As at January 1, 2008, the Fund adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation. The new standards replace Section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standards increase the emphasis on the disclosure of risks associated with financial instruments and how those risks are managed. The previous requirements related to the presentation of financial instruments have been carried forward unchanged. The detailed risks of investing in the Fund are disclosed in the Fund's Simplified Prospectus. Refer to Note 3 for new disclosure relating to the adoption of the new requirements.

Investments

Investments are recorded at the closing bid price ("fair value") provided by independent security pricing services.

The difference between the fair value of investments and the cost of the investments is included in unrealized appreciation (depreciation) on investments in the Statement of Operations.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from these estimates and the differences may be material.

Investment transactions, investment income, expenses and distributions

Investment transactions are recorded on the trade date. Realized gains or losses on security transactions are determined on an average cost basis. Interest income and estimated expenses are accrued daily.

Net assets per unit

"Net assets per unit" is based on the total net assets outstanding as at the end of the period divided by the number of units outstanding as at that date. The "increase (decrease) per unit in net assets from operations" is based on the increase (decrease) in net assets from operations for the period divided by the weighted average number of units outstanding over the period.

3. Management of financial risk

In the normal course of business, the Fund is exposed to a variety of financial risks. The value of investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, and market and company news related to specific securities within the Fund.

Tradex Bond Fund's investment objective is to achieve a combination of interest income and long-term capital preservation by investing in a diversified portfolio of Government of Canada, provincial government, municipal government and investment grade corporate bonds. The portfolio is constructed using computerized optimization techniques to enhance returns and control risk. Risk is reduced through investment in Government of Canada bonds and provincial government bonds. Corporate bonds with a credit rating of single A or better are also included in the portfolio up to a limit of 40 percent of the total value of the investment portfolio. No part of the portfolio will be invested in foreign bonds (i.e., bonds issued in a jurisdiction other than Canada) or in derivatives. To avoid risks related to variations in the value of the Canadian dollar, only bonds denominated in Canadian currency will be in the portfolio.

The Fund's risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by contracting and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions, market events and diversify the investment portfolio within the constraints of the investment guidelines.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund did not have exposure to currency risk as it invested only in Canadian securities.

(b) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. As at June 30, 2008 the Fund's credit risk exposure grouped by credit ratings is listed in the following table (for a listing by the type of issuer see the Statement of Investment Portfolio):

| Credit Rating | As a Percent of Net Assets |
|---------------|----------------------------|
| AAA | 64% |
| AA | 22% |
| A | 14% |
| Total | 100% |

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when a fund invests in interest-bearing financial instruments. The fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

As at June 30, 2008, the Fund's exposure to debt instruments by maturity was as follows:

| Maturity Date | As a Percent of Net Assets |
|-----------------------|----------------------------|
| Less than 3 years | 12% |
| 3-5 years | 24% |
| 5-10 years | 36% |
| Greater than 10 years | 28% |

As at June 30, 2008, if the prevailing interest rates had been raised or lowered by 0.25%, assuming a parallel shift in the yield curve, with all other factors remaining constant, Net Assets could possibly have decreased or increased, respectively, by approximately 1.6% (approximately \$155,000). The Fund's interest rate sensitivity was based portfolio weighted on duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(d) Liquidity risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to daily cash redemptions of redeemable units. The units of the Fund are issued and redeemed on demand at the then current Net Asset Value per unit at the option of the unitholder. Liquidity risk is managed by investing the majority (if not all) of the Fund's assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

(e) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk, credit risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. The Fund's significant market risk exposures have been discussed in previous sections. The Fund did not have any significant other market risk that the Manager is aware of.

4. Taxes

Goods and services tax (GST) is included in the expense items charged to the Fund.

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) and distributes all of its net taxable income with the intent to not be subject to income tax.

As at December 31, 2007, the Fund had no non-capital losses and \$ 1,000,897 in capital losses carried forward for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains.

5. Management expenses

The Fund retains investment advisory, custodial, professional, management and administrative services. The fees are charged directly to the Fund, as are registration fees and expenses. Tradex Management Inc. performs the management services for an annual fee of 0.6% of the Fund's net asset value calculated and accruing daily.

Tradex Management Inc. may from time to time voluntarily waive a portion of its management fees and/or absorb all or a portion of the other expenses of the Fund and/or rebate to the Fund a portion of the fees paid to it by the Fund. This reduces the expenses for the Fund, which in turn reduces its management expense ratio. In the second half of 2007, \$49,820 in expenses were reduced for the fund through such transactions. It is anticipated that expenses for the Fund will be reduced in the second half of 2008, although it is not possible to forecast the amount at this time.

6. Units capitalization

The Fund's capitalization consists of an unlimited number of units without nominal or par value that are redeemable on demand at their net asset value. The changes in the number of units during the last two periods ending June 30 were as follows:

| | 2008 | 2007 |
|----------------------------------|----------|-----------|
| Outstanding, beginning of period | 989,018 | 1,026,176 |
| Issued | 24,000 | 35,971 |
| Redeemed | (54,109) | (96,464) |
| Outstanding, end of period | 958,909 | 965,683 |

7. Future Accounting Change

The Canadian Accounting Standards Board (AcSB) has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. The Fund will adopt all of the International Financial Reporting Standards in accordance with the AcSB's plan. The impact of the adoption of these standards is not known at this time.

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